

## Message Text

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PAGE 01 NEW DE 13284 091520Z

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-13 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 AF-08 ARA-06 EA-07 DODE-00

PM-04 PA-01 PRS-01 AGR-05 AGRE-00 OIC-02 /142 W

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R 091201Z SEP 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8250

INFO USMISSION OECD PARIS

USUN 2056

LIMITED OFFICIAL USE NEW DELHI 13284

E.O. 11652: N/A

TAGS: EFIN IN

SUBJECT: LDC DEBT AND THE NORTH/SOUTH DIALOGUE

REF: (A) STATE 184169, (B) NEW DELHI 13102, (C) STATE 220772

1. EMBOFF DISCUSSED CIEC CONSIDERATION OF LDC DEBT BURDEN ISSUE WITH MINISTRY OF FINANCE ECONOMIC ADVISOR R. M. HONAVAR SEPTEMBER 7. HONAVAR IS MINISTRY OF FINANCE OFFICER PRIMARILY RESPONSIBLE FOR LIAISON WITH INDIAN CIEC DELEGATION, BUT HE DID NOT SEEM CLOSELY FAMILIAR WITH DETAILS OF WORK IN PARIS NOR WITH ROLE INDIAN DELEGATION WAS PLAYING IN NEGOTIATIONS THERE.

2. AFTER DESCRIBING U.S. POSITION WITH REGARD TO G-19 CALL FOR "GENERALIZED DEBT RELIEF", EMBOFF ASKED HONAVAR ABOUT INDIAN POSITION IN VIEW OF GOI'S RAPIDLY RISING FOREIGN EXCHANGE RESERVES AND IMPROVED BALANCE OF TRADE SITUATION. HONAVAR SAID GOI CONTINUED TO BE INTERESTED IN DEBT RELIEF BECAUSE IT EXPECTED THAT CURRENT FAVORABLE BALANCE OF PAYMENTS WAS TRANSITORY.

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PAGE 02 NEW DE 13284 091520Z

LARGE INCREASE IN INVESTMENT TO BE INITIATED UNDER GOVERNMENT'S

DEVELOPMENT PLAN WOULD RESULT IN MAJOR INCREASE IN IMPORTS, AND OTHER FACTORS IN CHANGING ECONOMIC SITUATION WOULD ALSO HAVE ADVERSE EFFECT ON BALANCE OF PAYMENTS.

3. IN ONLY DIRECT COMMENT ON G-19 NEGOTIATING POSITION IN PARIS, HONAVAR STRESSED THAT INTEREST OF LDC'S WAS IN DEVELOPING METHODS OF FORESEEING DEBT CRISES BEFORE THEY HIT, AND THUS TAKING ADEQUATE ADVANCE MEASURES TO PREVENT THEM. (COMMENT: WE INTERPRET THIS TO BE PRECISELY THOSE GUIDELINES FOR ELIGIBILITY FOR DEBT RELIEF WHICH DEPT EXPRESSED OPPOSITION TO IN PARA 3B REFTEL A.)

4. IN SEPARATE MEETING SEPTEMBER 8, EMBOFF DISCUSSED CONFLICTING POSITIONS ON DEBT RELIEF RSN PARIS WITH MINISTRY OF EXTERNAL AFFAIRS OFFICER GHOSH. (GHOSH HAS JUST ARRIVED FROM THREE YEARS WITH INDIAN MISSION IN NEW YORK TO BACKSTOP CIEC AND OTHER INTERNATIONAL ECONOMIC MEETINGS UNDER MEA SECRETARY AHUJA.) GHOSH SAID G-77 WAS NOT SEEING SWEEPING ONE-TIME ABOLISHMENT OF ODA DEBT FOR ALL DEVELOPING COUNTRIES. THEIR GOAL WAS RATHER TO WIN DC ACCEPTANCE OF PREMISE THAT DEBT RESCHEDULING WAS A NORMAL COMPONENT OF TRANSFER OF RESOURCES TO DEVELOPING COUNTRIES IN GENERAL. WITHIN THAT POSITION, ROLE OF DEBT RELIEF FOR EACH PARTICULAR COUNTRY WOULD BE DECIDED ON A CASE BY CASE BASIS WITHIN A BILATERAL OR MULTILATERAL CONTEXT EXACTLY AS LEVEL AND TERMS OF ODA ARE SET AT PRESENT TIME.

5. COMMENT: REF B TRANSMITTED AHUJA'S IDEAS ON DEBT ISSUE AND ABOVE REFLECTS VIEWS OF OTHER GOI OFFICIALS. THEY ARE OBVIOUSLY NOT IN CONCERT. WE HAVE LONG FELT THAT INDIAN DELEGATION IN PARIS HAS RECEIVED MINIMUM DIRECTION FROM NEW DELHI AND NOW HAVE EVEN MORE REASON TO DOUBT THAT GOI HAD ADOPTED STRONG AND ACTIVIST POSITION ON DEBT ISSUE IN CIEC. INSOFAR AS INDIAN DELEGATION HAS PLAYED AN ACTIVE ROLE, IT HAS TO A LARGE EXTENT BEEN FREE WHEELING IN THE PAST. AHUJA'S ARRIVAL IN MEA, NOW SUPPORTED BY GHOSH'S BACKGROUND IN UN NEGOTIATIONS, MAY WELL CHANGE THIS SITUATION AS PARIS TALKS PROCEED TOWARDS DECEMBER MINISTERIAL. SAXBE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LESS DEVELOPED COUNTRIES, DIPLOMATIC DISCUSSIONS, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976NEWDE13284  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 184169, 76 NEW DELHI 13102, 76 STATE 220772  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** BoyleJA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 APR 2004 by CollinP0>; APPROVED <11 AUG 2004 by BoyleJA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LDC DEBT AND THE NORTH/SOUTH DIALOGUE  
**TAGS:** EFIN, IN, (HONAVAR, R M)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006